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The Honorable John L. McClellan
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In response to your request, I will summarize the principal trends in the defense budgets and postures of the United States and the Soviet Union. I will also indicate how these trends are affecting the key military balances between East and West and what dangers to our interests I foresee in the years ahead.

In order to assess the implications of the salient trends, it is essential to be clear about the objectives that we seek to achieve with our defense establishment. Our fundamental goal is the deterrence of any attack on our vital interests. Our defense establishment also provides the underpinning for the conduct of diplomacy in pursuit of a wide range of foreign policy objectives.

In order to achieve these objectives, the United States -- along with its allies -- must maintain a worldwide military balance. Any assessment of this balance, as it now stands or may exist in the future, is bound to be affected by a number of uncertainties (which will increase as our intelligence budget declines). But since the Soviet Union is both our main potential rival and the only other superpower, an important way of gauging the equilibrium is to compare our own efforts with those of the Soviets.

Our first preference is to achieve an appropriate and stable military balance by means of equitable arms limitation agreements, and to do so through negotiations such as are underway in SALT and MBFR. But we must be prepared to maintain the balance by unilateral means if necessary. In any case, even satisfactory agreements are likely to control only some dimensions of the balance. We will still have to improve our capabilities in other dimensions so as to counterbalance improvements in the forces of potential opponents, and particularly those of the Soviet Union. It follows that, whether by mutual agreement or by our own action, we must invest the resources necessary to assure that our forces are combat-ready, and that they are competitive both qualitatively and quantitatively with those of the Soviet Union.

Unfortunately, I cannot assure the Congress that we will be able to maintain an appropriate and stable balance in the future with a severely reduced FY 1976 budget and with a continuation of the trends of the past decade in U.S. and Soviet military expenditures.

1. Defense Budgets

From FY 1964 through FY 1975, the baseline U.S. defense budget (with incremental war costs excluded) has declined by 20 percent in real terms. To place this in context, total defense spending took 8.3 percent of GNP and 43 percent of total federal spending in FY 1964, but in FY 1976 it now seems likely to consume only 5.8 percent of GNP and less than 25 percent of total federal spending.

We estimate that over the same period, Soviet military spending has increased by about 40 percent in real terms. The annual rate of increase in this spending has run at between 3 and 4 percent.

U.S. defense spending exceeded that of the Soviet Union by about 21 percent in FY 1964. By FY 1975, our best estimate is that Soviet military outlays had come to exceed those of the United States by about 30 percent -- with retired pay included. If retired pay were excluded from both budgets, Soviet military expenditures might be as much as 50 percent greater than our own.

Of equal significance, a substantial redistribution of resources has taken place within the U.S. defense budget. In FY 1964, personnel costs amounted to about 43 percent of our defense outlays. By FY 1975, as a consequence of pay comparability laws and the All-Volunteer Force, personnel costs had risen to about 55 percent of outlays, even though military and civilian personnel had declined from 3.7 to 3.1 million men and women. The upshot is that resources devoted to operations and maintenance, RDT&E, military construction, and procurement have declined by 12 percent since FY 1964. To the best of our knowledge, no such redistribution has taken place within the Soviet military budget.

Disparities between the two budgets can obviously be tolerated for brief periods of time without adverse effects. But we cannot maintain the necessary military balances with the Soviets -- and the detente that goes with them -- when their military spending not only exceeds our own, but also continues to rise while ours continues to fall.

2. Strategic Nuclear Forces

During the past decade, the United States has cut its real expenditures on strategic nuclear forces roughly in half. Soviet outlays for its strategic forces -- calculated on a comparable basis -- have nearly

[illegible] over the decade, and have exceeded U.S. program expenditures every year since 1966. We estimate that they were at least 60 percent higher than our own by 1975.

Despite beliefs to the contrary, the total number of launchers (bombers and missiles) deployed by the United States has remained remarkably constant over the past 20 years. The main changes have been in total megatonnage, which has declined, and in missile accuracy, which has improved. By contrast, the total number of Soviet strategic launchers has increased dramatically and now exceeds our own. With the large amount of throw-weight at their disposal, the Soviets are already beginning a rapid expansion of their warhead inventory, and we anticipate substantial improvements in the accuracy of their ICBM's as well. Not only are the Soviets deploying MIRV's; their warheads will have much higher yields than ours.

If these developments continue into the 1980s, as we expect they will, the Minuteman force will be increasingly at risk. We in Defense are not advocating in the current budget the acquisition of major ground-based alternatives to Minuteman. We are identifying the growing threat, the increased vulnerability, and the need to fund appropriate R&D programs to hedge against this risk and insure that options will be available in the future to maintain a land-based missile leg in the triad.

3. General Purpose Forces

During the past decade, U.S. military manpower for our baseline forces has declined by some 20 percent. In the same period, Soviet military manpower has increased by more than 20 percent. The Soviet military establishment is now more than twice as large as our own. Much of this increase has gone into the buildup on the Chinese border, where the Soviets now maintain about 40 divisions. But the Soviet forces facing Western Europe have also increased by more than 100,000 men, while NATO manpower has not changed significantly.

As the U.S. baseline defense budget has declined in real terms, and as our manpower and force units have also declined, we have tried to increase the sophistication and versatility of our weapons systems. Up to a point, this can be and has been a sensible strategy. But there are limits to the utility of trading in quantity for quality, even against relatively unsophisticated opponents.

The Soviets have been steadily improving both the quality and the quantity of the weapons in their general purpose forces. In fact, since 1964 they have increased the resources devoted to these forces by more than 33 percent. In the area facing NATO this has meant, among other developments, the introduction of self-propelled artillery into their divisions, a growth in the number of their tanks -- in which

The Warsaw Pact outnumbers NATO by more than two-to-one -- and the development of advanced attack aircraft, modern munitions, and mobile military air defenses.

We have been aware for some time that Soviet doctrine called for a rapid and massive attack on NATO's forward-deployed forces, with the objective in the Central Region of reaching the English Channel in less than two weeks. Until recently, however, we have felt that there was a wide gap between the doctrine and the Soviet capability to implement it. As Soviet modernization programs continue, the gap will narrow.

At the present time, NATO does not have an assured non-nuclear deterrent to a blitzkrieg, and if present trends continue, our weaknesses in organized units, firepower, and tactical mobility could result in declining confidence in the deterrent -- despite our deployment of theater nuclear forces. When in the future a point of political or military peril might arrive, I cannot specify with precision. But unless we and our allies increase our efforts soon, the deterrent power of NATO must increasingly be based upon the nuclear elements of the NATO triad. This is unwise, we should be raising rather than lowering the nuclear threshold. The difficulty we are having in improving the strategic mobility of our U.S.-based forces, and hence our ability to reinforce Seventh Army, does not improve the prospect.

The balance of forces in Europe is only part of our problem. As a maritime nation, not only must we be concerned about the freedom of the seas; we must also have the capability to deter attack on our sea lines of communication. But here, too, our posture leaves something to be desired. During the last seven years, our active fleet has fallen from over 900 to around 490 ships, and we have gone from 23 to 15 aircraft carriers, with two additional carriers scheduled for decommissioning during the current fiscal year. Although the Congress has authorized a major expansion and modernization of the current fleet, our shipbuilding programs continue to be substantially underfunded. As a result, the Soviets now equal us in the number of surface combatants, are ahead of us in attack submarines, and substantially exceed us in deployed cruise-missile capability. The character of the Soviet naval ships is also changing. They are developing greater endurance at sea through larger combatants and logistics support ships. At present, they are building new submarines at a rate which is three-to-four times faster than our own. They already have two helicopter cruisers and a VSTOL aircraft carrier.

Because of our advantages in carrier aviation, ASW, underway replenishment, and amphibious assault forces, we are still capable of both projecting power ashore at great distances and keeping essential sea lanes open to our shipping. But there are seas near to the Soviet Union

which we could not venture with impunity in wartime, and we would probably suffer heavy losses of combatants and merchant shipping in the first months of a war at sea. Within the next five years, if present trends are not reversed, the threat to our sea lines of communication will become even more ominous. I also foresee a growing effort by the USSR to develop force projection and sea control capabilities, which until recently have been almost entirely lacking.

4. Conclusions

While there are many uncertainties in an assessment of this kind, the major trends in the comparison between the military efforts of the United States and the Soviet Union are clear. By most of the available measures, American power is declining and Soviet power is rising. No one can say precisely where the peril points lie as this process unfolds. But if real expenditures by the United States remain constant or continue to fall, while real Soviet outlays continue to rise, the peril points will occur in the relatively near future.

No doubt it will be argued that the Department of Defense has been inefficient in its use of resources, and that we can reverse the trends in the competition without any real increases in the defense budget. But the argument badly misses the mark. What we are witnessing in the international arena is the development of a great power -- the Soviet Union -- dedicated to equalling and then exceeding us in all the quantitative and qualitative dimensions of military power. The motives behind this development may be in dispute; the trends are not. Neither are the implications for the protection of U.S. interests worldwide, for the cohesion of our alliances, and for the conduct of our diplomacy should we allow the Soviets substantially to exceed us.

We can observe the evolution and growth of Soviet military power admiringly and passively, or we can take the actions necessary to counteract it and assure deterrence. I believe that we will make the latter choice with the support of the Senate Appropriations Committee under your chairmanship.

Sincerely,

James R. Schlesinger